

Connecticut State Board of Accountancy
September 5, 2006
Minutes

Chairman Reynolds called the meeting to order at 8:30 A.M. in the second floor conference room, 30 Trinity Street, Hartford.

Present:

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia
Philip J. DeCaprio Jr., CPA
Richard Gesseck, CPA
Richard Sturdevant
Michael Weinshel, CPA

Staff Members Present:

David L. Guay, Executive Director
Rebecca E. Adams, Esquire, Board Counsel

Absent:

Leonard M. Romaniello, Jr., CPA

Motion made by Richard Bond to accept and approve the Minutes of the August 1, 2006 State Board of Accountancy meeting, seconded by Michael Weinshel all voted in favor. Mr. Gesseck did not vote on the motion, he arrived at the meeting just after the vote.

In a review of Board operations Executive Director Guay briefed the Board on the operations of the Board by providing a written summary.

September 5, 2006 Executive Director's Operations Update and Review

Licensing Database

- Continue to work and meet with Jamie
- Significant work accomplished on workflow and queries
- Officially requested Credit Card Authority

Certificate award event

- Rescheduled to November 13, 2006 – Thank you to Board members for being flexible

New CPA Certificate

- Both Department of Administrative Services Print Shop and the Department of Corrections Print Shop eliminated as possible printers – seeking printer on contract through OPM

Regulations

- Removal of Exam Fee Regulation, notice has been published – Formal submission package being prepared
- Review of Experience Regulation at July, August and September meetings

CPA Exam Services agreement

- Continues to be on Attorney Adams agenda

Web site update

- Staff training scheduled for September 13, 2006
- Jia Jia working on new CPE Vender page
- Minutes now up in Microsoft Word format

New Position

- No progress, focused on Budget and database

Board's Budget

- Submitted on August 31, 2006 meeting the September 1, 2006 deadline
- Created new Narrative and Measures
- Copy of budget submission provided in binder

Peer Review

- Major project this summer is the review and updating each active firm's peer review information in preparation for renewal and enforcement if appropriate.
- Approximately at the half way point

Possible Meeting of Northeast States

- Oct 10, 2006 in Hartford
- Provided logistic support to NASBA (hotel suggestion – driving directions – lunch options)

NASBA Annual meeting

- Scheduled for October 29 – November 1, 2006 in Atlanta
- Who will be attending?

Chairman Reynolds noted receipt of communications from the Boy Scouts of America, thanking Executive Director Guay for his volunteering for summer camp and from Professor Patricia Poli, CPA forwarding a recent academic study and article about the 150-hour requirement.

Chairman Reynolds noted that all Board members had received a copy of Berthann Jones' resignation letter. Chairman Reynolds expressed his thanks to Berthann for her contribution and reminded Board members to be on the look out for a replacement.

Motion made by Philip DeCaprio and seconded by James Ciarcia to approve the September 5, 2006 list of individual applications for CPA Certificate, Registrations and CPA Licenses, all voted in favor.

Motion made by James Ciarcia and seconded by Philip DeCaprio to approve the September 5, 2006 list of Firm Permit to Practice applications, all voted in favor.

Executive Director Guay asked the Board to consider delegating the authority to staff to approve on a daily basis, Initial Licenses, License Reinstatements, Certificate Registrations, Initial Firm Permits, and Firm Permit Reinstatements. The Board by consensus declined to grant staff the authority, indicating that the review of applications by Board members remains an important licensing step.

Next agenda items were requests from two CPA Exam Candidates

Stacy Farber- CPA Exam Candidate Request for Conditional Credit Extension

CPA Exam candidate Stacy Farber is requesting an extension of her conditional passing credit for AUD (passed 2/25/05, credit expires 8/31/06) and REG (passed 5/27/05, credit expires 11/30/06) because of two issues which she claims caused her a delay in sitting for the FAR and BEC sections of the exam.

Ms. Farber contacted the Board via email on August 1, 2006, a copy of which was forwarded to Board members.

Ms. Farber's first issue is a claim of a three month delay in CPAES processing a name change due to a change in marital status.

NASBA CPA Exam Services has record of contact about a name change on 11/8/05 and 11/18/05, and it appears that her authorization to test was granted on 11/18/05 for BEC and FAR, she took these sections in February 2006. I can not find evidence of contact before 11/08/05 to attempt to change her name. What I found was our hand written note to process the \$100.00 State fee on 10/7/05 still under the old name. Check was dated 10/7/05. In summary, it would appear that if the name change had taken place a month earlier at the time in which she paid the \$100 State fee, she may have been able to get seat time before November 30, 2005 the close of the testing window, but our hand written note of 10/7/05 does not indicate a change of name. Three months before the 11/18/05 issuance of the authorization to test would be August of 2005, NASBA CPA Exam Services does not have record of a contact around that time frame.

Ms. Farber's second issue is a claim of a month and two week delay in the spring of 2006 for processing of her \$100.00 State fee.

Stacy Farber issued a check dated 4/10/2006. The check was cleared at our lock box on 4/28/2006 and then we received the check on 5/2/06. I am unable to determine why it took three weeks from the date on the check to the deposit date of 4/28/06. We notified NASBA CPA Exam Services on 5/2/06 that the fee was received and the authorization to test by NASBA issued on the same date 5/2/06, leaving less than a month to get seat time to take the exam.

Third issue received by email on 8/23/06, a problem with launching the test for BEC on 8/8/06, and a problem on the FAR section on 7/5/06 (No Center Problem Report).

Staff Recommendation

Extend the conditional credit for CPA Exam candidate Stacy Farber AUD until 11/30/06 (passed 2/25/05, credit expires 8/31/06) and REG until February 28, 2007 (passed 5/27/05, credit expires 11/30/06).

Annelore Brandt- CPA Exam Candidate Request for Conditional Credit Extension

CPA Exam candidate Annelore Brandt is requesting an extension of her conditional passing credit for BEC (passed in Illinois 5/7/03) and REG (passed in Illinois 5/7/03), because of two computer problems while taking the Audit section of the exam on 4/17/06. Ms. Brandt's understanding is that the BEC and REG sections conditional passage would expire on 5/31/06 if she did not pass the other parts by 5/31/06.

Conditional Passing Credit Issue

Ms. Brandt's understanding of his conditional credit comes from a communication received in the fall of 2005 from the Illinois Board and from a conversation she claims she had with Connecticut's Exam coordinator at NASBA CPA Exam Services. A copy of the letter from the Illinois Board clearly shows credit expiring on 5/31/06, yet a check of the Illinois Board website shows the same eighteen month rolling conditional credit standard as Connecticut. The May 2006 date for expiration of conditional credit on the letter from Illinois could be explained by the fact that it would have been the expiration date if the exam was still a paper and pencil based exam.

Regardless of the Illinois rules and any miscommunication between NASBA CPA Examination Services and Ms. Brandt, the conditional credit earned by Ms. Brandt in May of 2003 would have expired in June of 2005 according to Connecticut's Regulation

(e) Credit for examinations taken out-of-state

(1) Any individual who has obtained credit for any section of the uniform certified public accountant examination as graded by the Board of Examiners of the American Institute of Certified Public Accountants from a state other than Connecticut or other examination approved by the board, and who qualifies under subsection (a) of this section to take the examination in Connecticut shall receive credit for such sections subject to the provisions of this section.

(2) A candidate who has received full credits from a state other than Connecticut shall make application on forms prescribed by the board, and such application shall be filed with the board. A candidate's out-of-state credits shall not be accepted unless at the time the candidate received his out-of-state credits the state of issuance had in effect credit procedures and standards equivalent to or stricter than those credit procedures and standards then in effect in state of Connecticut.

(f) Transitional rules for conditional credit. Candidates who, on the date a computer-based examination approved by the board is first administered in this state, have unexpired credit for passing one or more sections of the paper-and-pencil examination:

(1) Shall receive credit for passing the corresponding sections of the computer-based examination, as follows:

(A) Credit for having passed auditing in a paper and pencil format shall be deemed credit for auditing and attestation in the computer-based examination;

(B) Credit for having passed financial accounting and reporting in a paper and pencil format shall be deemed credit for financial accounting and reporting in the computer-based examination;

(C) Credit for having passed accounting and reporting taxation, managerial, and governmental and not-for-profit organizations in a paper and pencil format shall be deemed credit for regulation in the computer-based examination;

(D) Credit for having passed business law and professional responsibilities in a paper and pencil format shall be deemed credit for business environment and concepts in the computer-based examination.

(2) Shall be allowed a transition period to pass all remaining sections of the computer-based exam. The transition period shall equal the remaining number of opportunities under the paper and pencil examination, multiplied by three months. Any exam section passed outside the transition period shall expire and that exam section must be retaken.

(g) Hardship. For reason of health, military service, or other individual hardship, the board may, in its discretion, extend the term of any credit.

AUD Section Taken on 4/17/06 – Computer problem

Clearly a computer problem occurred on 4/17/06, it was reported that the screen froze twice. Candidate was able to complete the exam. The question is whether as proposed by Ms. Brandt, that the computer problem resulted in the exam not reflecting her true level of proficiency. Staff is unable to provide an answer to that question

A rescore and appeal of the grades through the American Institute is not possible as the deadline for either has passed.

Staff Recommendation

Allow the candidate Annelore Brandt the opportunity to retake the AUD section in the next window without further cost.

James Ciarcia made a motion to accept the staff recommendations, seconded by Philip DeCaprio:

Allow the candidate Annelore Brandt the opportunity to retake the AUD section in the next window without further cost.

Extend the conditional credit for CPA Exam candidate Stacy Farber AUD until 11/30/06 and REG until February 28, 2007.

All voted in favor.

The Board tabled by consensus the Acceptance of the Peer Review of Robert L. Nuzum, CPA pending further information to be gathered from the Reviewer.

Chairman Reynolds noted that the agenda lists inspection reports received from the Public Companies Accounting Oversight Board (PCAOB) and are available for Board member inspection and review.

The Board reviewed the Prometric test center problem report for July 12, 2006 through August 28, 2006.

September 5, 2006
ENFORCEMENT DOCKET BRIEFS

A. REQUESTING SETTLEMENT APPROVAL

2006 CPE Enforcement (pursuant to discussion at July meeting regarding denial of requests for extension)

1. CPE James Whiting
2. CPE Mary Beauchene
3. CPE Robert Johnson
4. Karen Benoit

Attorney Adams seeking settlement approval.

Motion made by Philip DeCaprio to approve settlements for James Whiting, Mary Beauchene, Robert Johnson and Karen Benoit, seconded by Michael Weinschel, all vote in favor.

B. KPMG PROGRESS REPORT

Michael Conway 2005050-2869 (XEROX audit partner 2002)

Held a compliance meeting on August 15, 2006. Received several CDs and paper submissions from his attorneys regarding the actions taken by Mr. Conway, including letters written by him to the audit committee prior to the financial statements issuance. These letters, dated in 2002, raise issues regarding revenue recognition and corresponding changes to address improper reporting. Also included are communications with the SEC in which the SEC allows KPMG to use the revenue recognition mechanism that it later prosecuted Mr. Conway for applying.

Ronald Safran 2005051-2870 (XEROX audit partner)

Compliance meeting is scheduled for September 21, 2006. Received several hundred pages of exhibits and argument stating that he, like Mr. Conway conducted the audit properly and reported in compliance with the SEC guidelines and interpretations in place at that time.

Anthony Dolansky 2006021-2916 (XEROX audit partner)

A compliance meeting is scheduled for September 12, 2006. His attorney had indicated that he is willing to settle for the Board recommended settlement of \$2,500 in penalties and suspension for one year eligible to reapply for reinstatement upon eligibility for reinstatement by the SEC.

Thomas Yoho 2006023-2917 (XEROX)

Scheduling a compliance meeting for the final week of September. Mr. Yoho was not suspended or censured by the SEC. If we prosecute Mr. Yoho we will do so based upon our own allegations that his conduct was at least negligent.

KPMG, LLC. 2005026-2839 and 2006024-2922 (XEROX and tax shelter cases)

Mr. Bond and I attended a compliance meeting with KPMG counsel on July 14, 2006. They are willing to further negotiate settlement. They have offered to include us in their continuing reporting to and investigation into compliance by the SEC.

C. OTHER ACTIONS

Christine Festa – *Denial of CPE extension request - no violation*

After her requested extension was denied, she submitted information regarding a conference she attended and found that she had qualifying coursework. She actually completed the required 40 hours by the deadline.

Attorney Adams recommended withdrawing allegations since compliance has been tendered.

Michael Weinschel made a motion to dismiss the matter of Christine Festa, Philip DeCaprio seconded, all voted in favor.

Kevin Kearney 21005-682 (2001 case) – Certificate number 8457
Mr. Kearney's attorney wrote on his behalf requesting reinstatement after demonstrating compliance with a 2002 settlement mandating revocation/suspension of certificate for 5 years and passage of the AICPA ethics examination with a 90% or higher. Eligibility commenced April 2005 and he has provided copies of the certification of the passing grade over 90.

Recommend reinstatement of Certificate number 8457.

By consensus the Board tabled action on the request for reinstatement, pending further review by Attorney Adams.

Before discussion on the next case, Board member Philip DeCaprio recused himself and left the room until the discussion and vote was completed.

Joseph Campise 2004018-2539.- *Requesting reconsideration/reopening of case number 2004018-2539*

Minutes of June 5, 2005 are attached for reference.

(A motion to reopen/reconsider must be made by someone who voted to dismiss the case)

Counsel recommends reconsideration based on the issues raised regarding the CPA's lack of knowledge and familiarity with the tax law of the State of Vermont. He knew that his client held rental property in Vermont but apparently he did not know the tax law applicable to rental properties there, which requires that rental owners also pay hotel occupancy and use taxes to the state. In addition, he did not file a Vermont tax return because the client had negative cash flow. However, Vermont law requires a tax return be filed even if no net income was earned if the taxpayer has more than 1000 in gross income from sources including rentals. These facts form the basis for allegations of negligence and taking on an engagement that could not properly complete.

The tax is her responsibility. However, interest and penalties incurred due to the failure to pay the tax and submit the returns might be more equitably placed on the licensee.

Ms. Donovan original complainant attended the meeting and answered questions from members of the Board.

Attorney Adams recommended reconsideration.

Richard Gesseck made a motion to reconsider the matter of Joseph Campise 2004018-2539 and re-open the case, seconded by James Ciarcia, all voted in favor, except Mr. DeCaprio who recused himself and was not in the room.

At 10:35 A.M. Chairman Reynolds left the meeting to attend another meeting. Acting Chairman Michael Weinshel called for a ten minute recess.

At 10:45 A.M. Acting Chairman Philip DeCaprio called the meeting back to order.

D. REQUESTING AUTHORITY TO SCHEDULE AND NOTICE COMPLIANCE MEETING

Ralph DeLeo 2006033-2933 – *Fraud and misappropriation of funds*

Complaint from attorney Taiman on behalf of his 93 year old clients Mr. and Mrs. Lestorti. He alleges and provides evidence that Mr. DeLeo forged his client's signature on a document transferring over \$500,000 out of the client's account. He also alleges and has supplied supporting documentation that Mr. DeLeo obtained his client's signature on a transfer of interest in a promissory note (on which 5 million dollars would be due his client) by misrepresenting the nature of a document that Mr. Lestorti was to sign.

Attorney Adams requested compliance meeting authority.

Michael Weinshel made a motion to authorize a compliance meeting in the matter of Ralph DeLeo 2006033-2933, seconded by Richard Bond all voted in favor, except for Chairman Reynolds who had left the meeting.

Before discussion on the next case, Board member Philip DeCaprio recused himself and left the room until the discussion and vote was completed. At 10:55 A.M. Mr. DeCaprio handed the gavel and temporary chairmanship to Michael Weinshel.

Richard Fazzuoli 2006020-2918 -*Negligence, failure to provide services, failure to return client records.*

The licensee has responded to the initial complaint and the complainant filed a very detailed follow up letter. Requesting compliance meeting authorization in order to have the licensee come in with the records to support his statements that he performed all of the work he billed for and that he completed it properly.

Attorney Adams requested compliance meeting authority.

Richard Bond made a motion to authorize a compliance meeting in the matter of Richard Fazzuoli 2006020-2918, seconded by James Ciarcia, all

voted in favor except for Chairman Reynolds who had left the meeting and Mr. DeCaprio who recused himself and left the room.

At 11:00 A.M Mr. Weinshel handed the gavel and temporary chairmanship to Philip DeCaprio.

E. RECOMMENDING AND REQUESTING DISMISSAL

Michael Thibodeau - Failure to return client records – no violation found

Complaint by Attorney D'Ambrosio regarding a request made to return records. The CPA inquired as to the authority of this person to have the client records and once he received confirmation that this was the wish of the client he forwarded the records. They received the records within 2.5 months of the request. No IRS/DRS action was at stake.

Attorney Adams recommended Dismissal.

Motion made by James Ciarcia to dismiss the matter of Michael Thibodeau, seconded by Richard Bond. All voted in favor except Chairman Reynolds who had left the meeting.

Ann Rustici – 2005017-2822 – Unauthorized use of the title Public Accountant

An anonymous letter contained her business card for Income Tax Return Services which says “public accountant” in small letters in the bottom right hand corner. No advertisements of any kind were found in any phone book or anywhere on the internet. I spoke with her and she sent a letter stating that the card must have been very old because she has not been offering tax return services since 2003. She stated that she did not know at that time that she could not use the title “PA” but that she has never told anyone she was a CPA, even when she was doing taxes. She does not have any more business cards or any other letterhead, etc....

Attorney Adams Recommended dismissal as discussed at July meeting.

Motion made by Richard Bond to dismiss the matter of Ann Rustici – 2005017-2822, seconded by, James Ciarcia. All voted in favor except Chairman Reynolds who had left the meeting.

Edward Sodlosky 2006032-2932 -Release of confidential information

A copy of a business tax return was picked up by the wife of the client who was not a client herself. Mr. Sodlosky admitted the mistake and explained that one of his secretaries made a mistake because the father and son are in a business as partners and she thought the son's wife was picking them up for him. He

attempted to get the papers back immediately but she would not return them. Complainant wanted an apology and for the CPA to return the papers and forgive any fees. Mr. Sodlosky wrote a letter of apology admitting the mistake and stating that he would complete the work at no charge. He also sent a letter to Hope Petrarca, the person who received the documents, demanding that she return them or face legal action.

Attorney Adams recommended dismissal.

Motion made by James Ciarcia to dismiss the matter of Edward Sodlosky – 2006032-2932, seconded by Richard Bond. All voted in favor except Chairman Reynolds who had left the meeting.

Zackin, Zimyeski, and Sullivan 2006014-2910 – Negligence – no violation/complaint withdrawn

Complainant, Dan Kusaila wrote stating that the firm had been negligent in its handling of his K-1. Investigation revealed that the firm provided the proper information and the complainant withdrew his complaint in writing.

Attorney Adams recommended dismissal.

Motion made by Michael Weinshel to dismiss the matter of Zackin, Zimyeski, and Sullivan 2006014-2910, seconded by Richard Bond. All voted in favor except Chairman Reynolds who had left the meeting.

F. REQUESTING EITHER DISMISSAL OR COMPLIANCE MEETING AUTHORITY

Timothy Corlett 2006030-2930 Unauthorized use of the title PA/CPA. Mr. Corlett's letter response will be distributed at the September 5, 2006 meeting. He did not send any advertisement forms out as a PA or CPA and does not use the title in any manner intentionally. He followed up on the ad that we had emailed to us and then checked a number of addresses and ads and found the ones that were listed as CPA or PA and had them discontinued or changed where he could. The yellow book/yellow pages ads cannot be altered until the next printing.

Attorney Adams recommended dismissal or compliance meeting authority.

Motion made by Michael Weinshel to authorize a compliance meeting in the matter of Timothy Corlett 2006030-2930, seconded by Richard Bond. All voted in favor except Chairman Reynolds who had left the meeting.

Robert Walsh 2006010-2899 – negligence, lack of competence

Complainant Attorney Ayars complained on behalf of her client that Mr. Walsh erred when he filed the tax returns on behalf of a business in which her client was a partner. Mr. Walsh called me and said that he did report the ownership of the business differently last year because one partner bought the other out and he thought he should report it according to the profits rather than the 50%- 50% ownership that the partners had asserted previously. There were no IRS/DRS problems or fines and no penalties.

Attorney Adams recommended dismissal or compliance meeting authority.

Motion made by Michael Weinshel to authorize a compliance meeting in the matter of Robert Walsh 2006010-2899, seconded by Richard Bond. All voted in favor except Chairman Reynolds who had left the meeting.

Board members reviewed without further action the NASBA response to the Board's letter commenting on the inadequate response to UCONN Professor Rosman's questions about the CPA Exam.

Board members reviewed without further action an article Chairman Reynolds had forwarded to the members. The article from the Associated Press reported that New York had new a new rule on unprofessional conduct. The Associated Press reported, "The new rules approved by the state Board of Regents revise the definition of unprofessional conduct for CPAs licensed by the state to include disciplinary actions taken by the SEC and its Public Company Accounting Oversight Board. The definition also was expanded to include settlements with those agencies in which an accountant admits no wrongdoing."

The Board reviewed the outline of the Experience Regulations provided by Executive Director Guay.

Motion made by Richard Sturdevant and seconded by Michael Weinshel to begin the regulation amendment process for the experience regulations by authorizing staff to craft the repeal of:

- Section 20-280-24 (a) (1)
- Section 20-280-24 (a) (1) (A)
- Section 20-280-24 (a) (1) (B)
- Section 20-280-24 (a) (2) (B)
- Section 20-280-24 (b) (1)

All voted in favor, except for Chairman Reynolds who had left the meeting.

Motion made by Michael Weinshel and seconded by Richard Sturdevant to authorize staff to craft an amendment to Section 20-280-24 (b) (2) of the Board's Regulations, changing the maximum age of experience to ten years from five.

All voted in favor, except for Chairman Reynolds who had left the meeting.

Motion made by Michael Weinschel and seconded by James Ciarcia to authorize staff to craft an amendment to Section 20-280-24 (c) in which the 3 year requirement for the verifying CPA is removed, allowing a designated Human Resources person be allowed to verify experience and creating language which allows the Board flexibility to verify experience based upon interviews, document review and letters from clients.

All voted in favor except for Chairman Reynolds who had left the meeting.

The Board by consensus approved the draft response to the NASBA Focus questions.

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your board's responses to your Regional Director by October 6, 2006. Use additional sheets for your responses if needed.

JURISDICTION Connecticut **DATE** September 5, 2006
NAME OF PERSON SUBMITTING FORM David Guay

1. Does your state statute and regulations allow jurisdiction over an out-of-state licensee? If so, do you notify the home state when disciplinary action is taken against such a licensee? What is your notification procedure?

Yes, if working in Connecticut or holding a CT Certificate, Registration, License and Permit. Because of staffing shortages we have been inconsistent in notifying other jurisdictions.

2. How does your Board publicize disciplinary actions: (CHECK ALL THAT APPLY.)

- Board's newsletter and/or Board's Web site
- State CPA Society's newsletter and/or Society's Web site
- Publication in newspaper or other mass market media
- Other (describe communications, correspondence or notices)

3. Who decides whether to pursue a disciplinary investigation?

- The Board
- The Executive Director
- The Board's staff with responsibility for disciplinary cases
- A Committee of the Board
- A designated member of the Board
- The Board's attorney (i.e., attorney general or counsel)
- The Board does not handle the disciplinary process
- Other – please explain

4. What is happening in your jurisdiction that is important for other state boards and NASBA to know?

Connecticut is considering asking the AICPA, NASBA, Prometric and other Boards to agree to change the times in which the exam is taken, such as allowing the exam to be taken in December and June. The Connecticut Board is also considering asking all Boards to adopt a longer conditional passing credit period, from eighteen to 24 months.

5. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - Input from all Board Members and Executive Director
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):

A motion to adjourn the meeting was moved by Richard Bond and seconded by Richard Sturdevant, all voted in favor, except Chairman Reynolds who had left the meeting. The meeting was adjourned at 11:35 A.M.